

# HOW TO PREPARE THE STRATEGIC PLANNING FOR ORGANIZATION?

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## ABSTRACT

This study investigated the Strategic Management strategies. Good strategy leads to the accomplishment of business operation and gains the valuable image to all stakeholders. This research study examines the strategic management in two dimensions, which are strategic formulation and strategic implementation. Strategic formulation is classified into 3 levels; Corporate Level, Business Level and Functional Level. Strategic planning is main portion in strategic formulation consisting of environmental analysis, overall company SWOT analysis, vision, mission, objective; strategic alternatives and techniques, and strategic selection for appropriate alternatives that fit with an organization.

## INTRODUCTION

Strategy is response to customer beyond competitors. Good strategy must be to describe the accomplishment of business operation and how to emerge the valuable image to all stakeholders. Thus, strategy is a part of overall planning process by strategically changing from where you are to where you want to be.

Strategy must be implemented in all levels of organization. Strategic planning is how to efficiently utilize the organization resources. The main step of strategic business operation includes planning, implementing, controlling and evaluating. Strategic planning is important and significant nowadays, because it is the process of forming short and long term strategy of organization. Strategic planning also implies for problem solving, defines the best business operation with limited organization's resources and existing uncontrollable outside environment.

Therefore, Strategy is optimal alternative to transform an organization from existing to better situation. Generally level of strategy can be categorized to

### 1. Corporate Level

### 2. Business Level

### 3. Functional Level

Each level has different identity and responsibility to plan strategy by coordinating and sharing inside and outsource business information effectively. Each level of strategy can be described as follows:

**Corporate strategy** is the organization top strategy by concentrating at corporate objective (Bartlett and Sumantha, 1995). It aims at product and service strategy through utilizing organization's resources. The organization must select method of competition and provision of fundamental business plan. The corporate strategy is normally decided by organization top management to establish business policy and operation framework (Mintzberg, 1973). To accomplish organization target, this strategic planning level will focus on create business vision, mission, goals and objective to imply core strategy or organization overall strategy (Pear and David, 1987).

**Business Strategy** aims at winning over competitors and satisfying customers by their products and services. This level of strategic planning concentrates on product or service improvement and competitive adaptation for better position in market and industry

(Kerr and Bettis, 1987). Strategic Business Units : SBU strategically focus on customer satisfaction in organization products over competitor's. Moreover, searching method to manage strategic business unit or planning to manage and operate each business unit are concerned (Blair and Boal, 1991).

Strategic Business Unit must follow organization top management goals and objectives. The success of strategic business units depends on effective organization resource allocation.

Functional Strategy is narrower focus of strategic planning which focus on development of resource utilization under limitation and designated scope. It involves with each division of organization: production, marketing, finance, accounting, human resource management etc. Functional strategy is supporting strategy to all level in an organization. Besides strategic planning, functional management must coordinate with employee according to the designated strategic plan. Besides good planning, management must captivate employee to work, then the strategic plan shall be accomplished.

## STEPS FOR STRATEGIC PLANNING

### Step I : General concept analysis

An organization must initially review existing situation within the organization itself by identifying past performance with these analytical steps: brief business characteristic, company structure, financial statement, competitor characteristic, organization philosophy and culture, and past strategy.

### Step II : Analyze the situation by using SWOT analysis

This method will analyze both outside and inside an organization, which make an analyst can evaluate both positive and negative factors for organization operation by using SWOT Analysis with the following factors;

Analyzing the Internal Factors will assess the

organization structure. If the results of internal decision making process make the better effect to an organization, those are strengths. On the other hand, If the results of internal decision making process make worse effect to an organization, those are weaknesses. The following factors must be considered;

- Financial Position
- Product Positioning
- Marketing Capability
- Research and Development Capability
- Organization Structure
- Human Resources Management
- Condition of an organization's facilities, equipment and production process.

**Analyzing the External Factors** consider uncontrollable factors outside a company. These factors will effect a company in both positive and negative way (Richard, Sormance and Parks, 1988). The positive outside factors are opportunity = O, whilst the negative outside factors are threat = T. The outside factors are the followings;

**Economic forces** is general measurement how business can acquire national resources (Ginter and Dancan, 1990). Economic environment will consider at the related economic factors that effect a company such as

- General economic information
- Interest rate
- Unemployment rate
- Consumer Index
- Inflation (measure from investment, employment and pricing level)
- Gross Domestic and National Product

**Technology forces** is scientific method of technology application into business operation (Fiesinger, 1992). This includes new concept and technology

innovation, that will influence an organization by

- Technology development will change the needs of product, service in an organization and industry.
- Technology Development by competitors will make company product out of date and higher price.
- In international Business, if one country use new technology will make product in another country more expensive ex. high competition in technology development in steel industry between Japan and USA (Aaker, 1989). Changing in technology will increasingly effect strategic management, product, product design, distribution and service. Technology will effect each business unit (Ketekohn, 1995), which important for strategic management. Moreover, it will reflect high needs in company product and service.

**Political and Regulating Forces:** Influence of Politics and legal effects the overall company performance (W.R. Huss, 1988). Analysis of political environment will take an inside looking at politic and interior management that effects the accomplishment of business and limitation of business success (Riemann, 1989)

**Social Force** is considered to effect customer value, perception and demographic to a company (Thomas, 1992; Hooper and Rocca, 1991). Changing in society and population will effect customer and labor force ex. In Thai society, more and more women works outside leads to more nursery business for her children.

**Competitor Forces** is analysis of competition in an ongoing industry. These intensely emphasize to analyze at competitor's strategies. This analysis must include analysis of industry structure and specifically each competitor as well.

**Customer forces** is analysis of customer

behaviors and needs to company. This analysis will focus on how company business operation fit with customer needs.

### **Step III : Identify organization's vision, mission and goals**

#### **Vision**

An organization vision is a need of management to solve particular business problem and identify business strategy. Generally, vision is established in all level of organization and interacted between level to level (Lawood, Falbe, Krieger and Paul, 1995). Management shall use good resources to identify vision. Vision is what to be in the future with scope of business operation, organization and customer needs, and organization culture (You, 1990)

#### **Mission**

Organization Mission is currently structural operation plan about what is the company doing. Mission identification must be able to apply with objective and strategies at all level of organization (Pearce, 1982, 1983 : Ireland and Hitt, 1992).

Therefor, mission identification must consider current business operation, because it will lead to what is the business doing.

#### **Goals**

Goals are identified at all level of organization in order to accomplish overall business operation in the future (Rosenstein, 1987). Goals are what an organization would expect to be and need to be within the scope of vision and mission.

### **Step IV : Identifying Strategic Alternatives**

They are alternatives for an organization to use as a supportive tools for business problem solving and strategy rationally. From studied theories, strategic alternatives happen in 3 levels regardless of business

level: corporate strategy, business unit strategy and functional strategy with the following comparative factors:

1. External Environment
2. Internal Environment
3. Competitor Analysis

With different techniques, an analyst must classify strengths, weaknesses, opportunity and threats with competitors in each business level. Different techniques can be implied for strategy identification namely TOWS MATRIX, BCG MATRIX and other appropriate techniques with existing information. Step implication in each business level consists of 2 processes, which are

- |         |                                       |
|---------|---------------------------------------|
| Task I  | Consider comparative factors          |
| Task II | Matching alternatives with strategies |

#### **Step V. Strategic Selection**

An analyst must identify strategy from alternatives in every process in order to identify strategy for business and policy for business operation, which an organization expects to accomplish and compete in the market-place. These strategies are the followings:

##### **Corporate Strategy**

1. Stable Growth Strategy (Concentration on single product or service, Concentric Diversification, Vertical Integration, Business Diversification, Horizontal Diversification, and Conglomerate Diversification).
2. End game Strategies (Leadership Strategy, Niche Strategy, Harvest Strategy, and Quit Strategy).
3. Retrenchment Strategies (Turnaround, Divestment, and Liquidation)
4. Combination Strategies

##### **Business Strategy**

- Overall Cost Leadership
- Differentiation
- Focus

##### **Functional Strategy**

- Marketing Strategy
- Financial Strategy
- Production Strategy
- Human Resource Management Strategies
- Research and development Strategies

#### **Step VI : Executive Report**

An analyst must prepare to demonstrate strategy to management in both oral and written presentation with emphasizing only critical points. The executive report must raise these following contents: External and Internal Environmental Factor, Vision, Mission, Objectives and Strategies in different levels.

##### **Conclusion**

Strategic Management consists of 2 steps: Strategic formulation and Strategic Implementation. Strategic formulation is classified into 3 levels: Corporate Level, Business Level and Functional Level. From 2 steps in Strategic management, strategic planning is main portion in strategic formulation consisting of another 5 steps from Environmental Analysis, overall company SWOT analysis, Identify vision, mission, objective; Identifying Strategic Alternatives and Techniques and Strategic selection for appropriate alternatives that fit with an organization.

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